

Long Range Financial Projection 15% State Aid Cut
Long Range Planning Committee
May 22, 2020

	FY2020 RECAP	FY 2021	Dollar Change	Percent Change	FY 2022	Dollar Change	Percent Change	FY 2023	Dollar Change	Percent Change	FY 2024	Dollar Change	Percent Change	FY 2025	Dollar Change	Percent Change
I REVENUE																
A. State Aid	22,481,187	21,043,298	(1,437,889)	-6.40%	21,249,548	206,250	0.98%	21,457,860	208,312	0.98%	21,668,256	210,396	0.98%	21,880,755	212,499	0.98%
School Construction Aid	476,523	476,523	0	0.00%	0	(476,523)	-100.00%	0	0		0	0		0	0	
B. Local Receipts	9,871,000	9,871,000	0	0.00%	9,871,000	0	0.00%	9,871,000	0	0.00%	9,871,000	0	0.00%	9,971,000	100,000	1.01%
C. Free Cash	5,559,782	5,901,388	341,606	6.14%	3,839,266	(2,062,122)	-34.94%	3,839,266	0	0.00%	3,839,266	0	0.00%	3,839,266	0	0.00%
D. Overlay Reserve Surplus	200,000	400,000	200,000	100.00%	400,000	0	0.00%	400,000	0	0.00%	400,000	0	0.00%	200,000	(200,000)	-50.00%
E. Property Tax	133,350,155	138,039,612	4,689,457	3.52%	139,777,071	1,737,459	1.26%	141,637,076	1,860,005	1.33%	145,392,242	3,755,166	2.65%	149,181,398	3,789,156	2.61%
F. Override Stabilization Fund	0	2,024,197	2,024,197		9,283,299	7,259,102	358.62%	14,039,887	4,756,588	51.24%	945,666	(13,094,221)	-93.26%		(945,666)	-100.00%
TOTAL REVENUES	171,938,647	177,756,018	5,817,371	3.38%	184,420,184	6,664,166	3.75%	191,245,089	6,824,905	3.70%	182,116,430	(9,128,659)	-4.77%	185,072,419	2,955,989	1.62%
II APPROPRIATIONS																
A. School Additions	600,000	140,000			800,000			800,000								
General Education Costs	46,381,443	50,183,324	3,801,881	8.20%	52,809,670	2,626,346	5.23%	56,618,868	3,809,198	7.21%	60,372,578	3,753,710	6.63%	63,104,915	2,732,337	4.53%
Special Education Costs	22,940,836	24,546,695	1,605,859	7.00%	26,264,964	1,718,269	7.00%	28,103,511	1,838,547	7.00%	30,070,757	1,967,246	7.00%	32,175,710	2,104,953	7.00%
Growth Factor	1,504,860	700,512	(804,348)	-53.45%	1,094,550	394,038	56.25%	912,125	(182,425)	-16.67%	598,354	(313,771)	-34.40%	707,809	109,455	18.29%
Net School Budget	71,427,139	75,570,531	4,143,392	5.80%	80,969,184	5,398,653	7.14%	86,434,504	5,465,320	6.75%	91,041,689	4,607,185	5.33%	95,988,434	4,946,745	5.43%
Minuteman Operating & Capital	4,271,730	4,834,357	562,627	13.17%	5,003,559	169,202	3.50%	5,178,684	175,125	3.50%	5,359,938	181,254	3.50%	5,547,536	187,598	3.50%
Minuteman Exempt Capital	1,112,960	1,279,014	166,054	14.92%	1,279,014	0	0.00%	1,279,014	0	0.00%	1,279,014	0	0.00%	1,279,014	0	0.00%
Town Personnel Services	28,552,372	29,203,669	651,297	2.28%	30,152,788	949,119	3.25%	31,132,754	979,966	3.25%	32,144,569	1,011,815	3.25%	33,189,267	1,044,698	3.25%
Town Expenses	11,165,682	11,312,375	146,693	1.31%	11,680,027	367,652	3.25%	12,059,628	379,601	3.25%	12,451,566	391,938	3.25%	12,856,242	404,676	3.25%
Enterprise Fund/Other	2,580,233	2,642,197	61,964	2.40%	2,728,068	85,871	3.25%	2,816,730	88,662	3.25%	2,908,274	91,544	3.25%	3,002,793	94,519	3.25%
Net Town Budget	37,137,821	37,873,847	736,026	1.98%	39,104,747	1,230,900	3.25%	40,375,652	1,270,905	3.25%	41,687,861	1,312,209	3.25%	43,042,716	1,354,855	3.25%
MWRA Debt Shift	5,593,112	3,691,454	(1,901,658)	-34.00%	1,845,727	(1,845,727)	-50.00%	0	(1,845,727)	-100.00%	0	0		0	0	
B. Capital budget																
Exempt Debt Service	4,321,873	6,968,910	2,647,037	61.25%	6,311,154	(657,756)	-9.44%	6,208,357	(102,797)	-1.63%	6,109,780	(98,577)	-1.59%	5,998,850	(110,930)	-1.82%
Non-Exempt Service	6,512,083	6,573,279	61,196	0.94%	7,433,825	860,546	13.09%	7,442,967	9,142	0.12%	7,254,760	(188,207)	-2.53%	7,381,864	127,104	1.75%
Cash	4,320,995	4,329,512	8,517	0.20%	3,254,837	(1,074,675)	-24.82%	3,007,689	(247,148)	-7.59%	3,502,859	495,170	16.46%	3,997,841	494,982	14.13%
Offsets/Capital Carry Forward	(1,958,907)	(1,591,567)	367,340	-18.75%	(1,299,345)	292,222	-18.36%	(494,881)	804,464	-61.91%	(461,111)	33,770	-6.82%	(524,337)	(63,226)	13.71%
Total Capital	13,196,044	16,280,134	3,084,090	23.37%	15,700,471	(579,663)	-3.56%	16,164,132	463,661	2.95%	16,406,288	242,156	1.50%	16,854,218	447,930	2.73%
C. Pensions	11,355,946	11,921,239	565,293	4.98%	12,636,513	715,274	6.00%	13,394,704	758,191	6.00%	14,198,386	803,682	6.00%	15,050,289	851,903	6.00%
D. Insurance	17,891,836	18,858,788	966,952	5.40%	20,070,999	1,212,211	6.43%	21,315,728	1,244,729	6.20%	22,564,093	1,248,365	5.86%	23,906,521	1,342,428	5.95%
E. State Assessments	3,470,201	3,501,981	31,780	0.92%	3,588,264	86,283	2.46%	3,676,704	88,440	2.46%	3,767,355	90,651	2.47%	3,860,272	92,917	2.47%
F. Overlay Reserve	503,383	600,000	96,617	19.19%	800,000	200,000	33.33%	600,000	(200,000)	-25.00%	600,000	0	0.00%	800,000	200,000	33.33%
G. Reserve Fund	1,604,584	1,556,724	(47,860)	-2.98%	1,688,257	131,533	8.45%	1,709,968	21,711	1.29%	1,750,610	40,642	2.38%	1,790,736	40,126	2.29%
H. Court Judgments/Symmes	1,012,514	771,950	(240,564)	-23.76%	767,450	(4,500)	-0.58%	100,000	(667,450)	-86.97%	100,000	0	0.00%	100,000	0	0.00%
I. Warrant Articles	1,186,867	1,015,999	(170,868)	-14.40%	965,999	(50,000)	-4.92%	1,015,999	50,000	5.18%	965,999	(50,000)	-4.92%	915,999	(50,000)	-5.18%
J. Override Stabilization Fund	2,174,510		(2,174,510)	-100.00%												
K. TOTAL APPROPRIATIONS	171,938,647	177,756,018	5,817,371	3.38%	184,420,184	6,664,166	3.75%	191,245,089	6,824,905	3.70%	199,721,233	8,476,144	4.43%	209,135,735	9,414,502	4.71%
L. BALANCE	0	0			0			0			(17,604,803)			(24,063,316)		
Free Cash	11,802,775	7,678,532			7,678,532			7,678,532			7,678,532			7,678,532		
Stabilization Fund	3,656,207	3,765,893			3,878,870			3,995,236			4,115,093			4,338,546		
Override Stabilization Fund***	26,293,049	24,268,852			14,985,553			945,666			0			0		
Municipal Bldg. Ins. Trust Fund	729,830	751,724			774,276			797,504			821,430			846,072		
TOTAL:	42,481,860	36,465,001			27,317,231			13,416,938			12,615,054			12,863,150		
% of General Fund Revenue	24.7%	20.5%			14.8%			7.0%			6.9%			7.0%		

The plan does not include any projected revenues or expenditures from the Community Preservation Act

Projected School Enrollment Growth FY 2020 - FY 2025

	FY 2020**	FY 2021*	FY 2022*	FY 2023*	FY 2024*	FY 2025*
Actual/Proj. Annual Growth	210	96	150	125	82	97

** Actual Growth - Based on 35% DESE Per Pupil Cost; FY14 of \$13,085 = G.F. of \$4,580 X Enrollment Growth, FY15 PPC \$13,383 = \$4,684 X E.G., FY16 PPC of \$13,984 = \$4,984 X E.G., and FY17 50% PPC of \$,1433 = \$7,166 X EG
* Projected Growth - FY2021 through FY2025 Based on 50% of FY18 DESE Per Pupil Cost of \$14,594 = \$7,297 X Enrollment Growth

*** Override Stabilization Fund balance includes and addition of \$2.5 million from Overlay Surplus in FY2020

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May 22, 2020

I REVENUE	
A. State Aid	State Aid as reported on the Cherry Sheets, including CH. 70 School Aid, Unrestricted General Government Aid (UGGA), and others.
School Construction Aid	Reimbursement for school construction costs from an old state program. These payments run out in FY2021.
B. Local Receipts	Fees, Fines, Permits, Interest, Motor Vehicle Excise Taxes, etc. Assumption: increase by \$100,000 per year.
C. Free Cash	Free Cash is equivalent to the prior year's operating surplus. Assumption: Half of the 10 year average Free Cash is allocated as a revenue source for the operating budget and the remainder is retained as a reserve.
D. Overlay Reserve Surplus	The Assessors annually release some of the reserve set aside to pay tax abatements (the Overlay). Assumption: In most years, \$200,000 is released to be used in operating budget. Some years a larger amount is released for revaluation expenses.
E. Property Tax	Real estate and personal property taxes, as determined by the State law, Proposition 2 1/2 (annual increase of 2.5%, plus additions of new growth), plus amounts added for debt excluded from Prop. 2 1/2 by the voters, plus MWRA Debt shift.
F. Override Stabilization Fund	The Override Stabilization Fund is used as an income source. In years of revenue surpluses, money is added, in years of deficits, money is withdrawn (see comparable item in Expenses below). Fund balance is reported in reserves section at bottom the sheet.
TOTAL REVENUES	
Total General Fund Revenues.	
II APPROPRIATIONS	
A. School Additions	Increases to School Department Budget as the result of the 2019 Override.
General Education Costs	Most of the costs of running the School Department. Assumption: A 3.5% increase in the sum of the previous year's General Education Costs plus cost increase due to in enrollment growth (Growth Factor, below).
Special Education Costs	Costs of providing Special Education services. Assumption: These costs are assumed to increase by 7% per year.
Growth Factor	An estimate of the increased operating costs the School Department incurs because of enrollment growth. Enrollment assumptions are presented at the bottom of LRP. It is assumed that each new student will cost 50% of State's Per Pupil Cost figure.
Net School Budget	
The Total School Department Budget.	
<u>Minuteman</u>	Assessments from the Minuteman Regional Technical and Vocational High School. Assumption: Each year the actual assessment is updated and future years are assumed to grow by 3.5%.
Town Personnel Services	Town employees salaries and wages. Assumption: Annual growth of 3.25%
Town Expenses	Town expenses, e.g., utilities, supplies, services, repairs, etc. Assumption: Annual growth of 3.25%
Enterprise Fund/Other	Offsets are amounts charged to the Water and Sewer Enterprise Fund for services provided to the Fund by Town employees. Assumption: Annual growth of 3.25%
Net Town Budget	
Personnel Services plus Expenses, minus Offsets.	
MWRA Debt Shift	State law allows the Town to decrease water and sewer rates and increase taxes by an amount representing all or part of the debt service assessed to the Town by the MWRA. Assumption: \$5,593,112 per year.
B. Capital budget	
Exempt Debt Service	Debt service that has been excluded from the Prop. 2 1/2 limit and therefore is in addition to that limit. The exempt debt amount is included in the Property Tax calculation above and so income and expense are exactly matched.
Non-Exempt Service	Debt service (interest and principal) on items in the annual Capital Plan paid for with tax dollars.
Cash	Items in the annual Capital Plan paid for with cash.
Offsets/Capital Carry	Multiple sources, such as grants, other funds (e.g., rental income from cell phone towers on town property, the Ambulance Fund, etc.), and bond premiums used to purchase capital items.
Total Capital	
Assumption: The Total of Non-Exempt Debt Service and Cash will equal 5% of the Town's Annual revenue.	
C. Pensions	Annual assessment from the Arlington Retirement Board. Assumption: Annual increase of 5.5%.
D. Insurance	Health, property, and liability insurance. Assumption: Updated annually with new enrollment figures and insurance rates. Future costs include teacher staffing increases to meet increased student populations, plus 5.25% inflation.
E. State Assessments	Assessment from the State for various services, including MBTA, Charter School, and School Choice. Assumption: Annual increase of 2.5% (as mandated by Prop. 2 1/2). Some Cherry Sheet aid goes directly to departments and not to the General Fund. State Aid to libraries is one such example. Assumption: Current year assessment will continue unchanged.
F. Overlay Reserve	Amount of tax revenue set aside by the Assessors to pay abatements and tax exemptions (for elderly, blind persons, etc.). Assumption: \$600,000 in non-revaluation years, and \$800,000 in revaluation years.
G. Reserve Fund & Elections	Reserve fund equals 1% of revenues. It is available for the Finance Committee to pay unanticipated and extraordinary costs, such as snow removal. Election costs vary each year depending on the number of elections.
H. Court Judgments/Symmes	Each year \$100,000 is set aside to pay for lawsuit settlements. The rest of this item is to pay the debt on bonds the Town issued to acquire the Symmes property. Those bonds will be paid off in FY2022.
I. Warrant Articles	Various warrant articles for boards, commission, town celebrations, and other items that are outside of the town, school, or capital budgets.
J. Override Stabilization Fund	In years when the budget shows a revenue surplus, that surplus is appropriated to the Override Stabilization Fund.
K. TOTAL APPROPRIATIONS	The total of all items under II Appropriations.
L. BALANCE	The operating surplus or deficit for each year of the plan. For the current year, the number will always be zero, i.e., by law and Town policy, the final budget must be in balance.
Reserve Balances	
Free Cash	An amount roughly equivalent to the Town's operating surplus and fund balance that is certified annually by the State Department of Revenue.
Stabilization Fund	A fund established by Town Meeting to provide a long-term reserve. Assumption: Annual 3% growth, plus \$100,000 appropriation from Town Meeting.
Override Stabilization Fund	The Override Stabilization Fund was created as a result of the 2005 Prop. 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the
Municipal Bldg. Ins. Trust FIA	A reserve fund established to cover extraordinary losses from damage to Town property. The existence of the fund reduces the Town's annual property insurance costs, because it allows the Town to buy insurance policies with high ded
TOTAL: Total reserves.	
% of General Fund Revenue Total reserves as a percent of total revenue.	